

# Classes

## nexus school

### LEGAL PRINCIPLES, INVESTIGATION TOOLS, AND AUDIT TECHNIQUES

**This course is designed to give state government employees a comprehensive understanding of the law of state jurisdiction to tax (nexus) and practical guidance to conduct a nexus audit.**

#### OBJECTIVE:

At the end of the course, students will

- have a detailed understanding of legal principles for establishing nexus for corporate business taxes and sales/use taxes.
- have an understanding of current investigative approaches and audit techniques, and be able to conduct a nexus investigation of a multistate company.
- be able to draw on the contacts made at the school to form an information sharing network regarding research techniques and best audit practices.

#### AUDIENCE:

The program is designed as a basic course for state revenue department auditors and attorneys who have had limited exposure to nexus issues, but are not experts in the area.

#### PREREQUISITES:

None

#### PROGRAM LEVEL:

Beginning

#### PROGRAM CONTENT:

Constitutional principles of nexus for state taxation; statutory principles of nexus for income and franchise taxes; nexus investigations and audits.

#### COURSE MATERIALS:

Participants will receive a comprehensive course binder and a bound casebook with the most important nexus cases. Upon registration participants will also receive information on how to access nexus information located on the Multistate Tax Commission's website.

#### ADVANCE PREPARATION:

None



## **INSTRUCTIONAL DELIVERY METHOD:**

Group-Live with case illustration and case study by small groups

## **RECOMMENDED CPE CREDIT:**

16 hours

## **REGISTRATION INFORMATION:**

Contact Antonio Soto at [asoto@mtc.gov](mailto:asoto@mtc.gov) or (202) 508-3846

## **PROGRAM DAY ONE: 8:00 AM – 5:30 PM**

*Breakfast and lunch will be provided.*

### **I. Constitutional Principles of Nexus for Sales and Use Taxation**

An overview of the constitutional standards for sales and use tax nexus and review of court interpretations of those standards. Topics will include issues such as what constitutes in-state property, affiliate nexus, representational nexus, in-state deliveries, temporary presence, de minimis presence, trade show attendance, and duration of nexus.

#### **Case Illustration**

Participants will be given case studies to review for sales and use tax nexus issues. Group discussion will follow.

### **II. Scope of Protected Activities Under P.L. 86-272**

Review of history leading to the enactment of Public Law 86-272. Discussion of protected and unprotected activities as interpreted by court cases that apply this federal law.

### **III. Constitutional Principles of Nexus for Income and Franchise Taxation**

A discussion of the constitutional limitations on establishment of nexus for taxes and activities that fall outside the protection of P.L. 86-272. Will review theories of economic presence, nexus through intangibles, nexus created by financial services, and the emerging nexus issues applicable to electronic commerce. Review of court and administrative interpretations, and applications of those standards.

#### **Case Illustration**

Participants will be given case studies to review for income and franchise tax nexus issues under P.L. 86-272 and constitutional limitations. Group discussion will follow.

**continued on next page**



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**PROGRAM DAY TWO: 8:00 AM – 5:00 PM**

*Breakfast and lunch will be provided.*

### **IV. Identifying Potential Non-filers**

Focus is on identifying and locating potential non-filers in your state. Speakers will discuss sources of leads; use of internal cross-references; examination of marketing materials, phone books, trade magazines, and how to develop leads into potential audits. Instructors will discuss conducting research via state databases, on-line services, and the Internet.

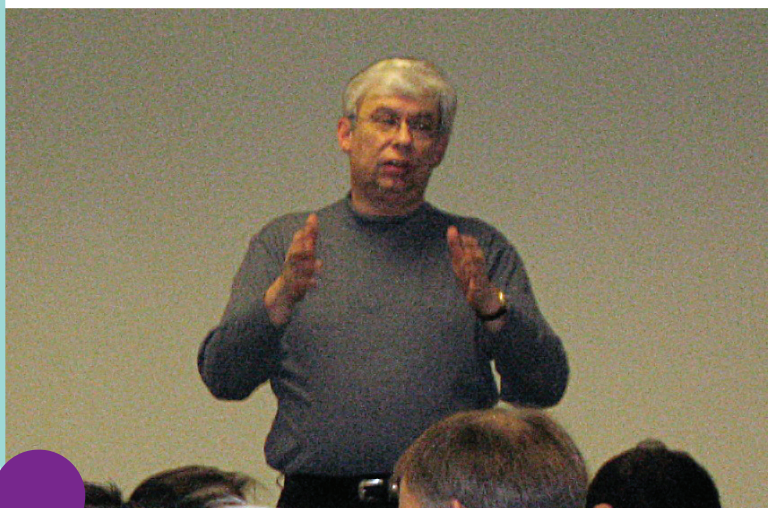
### **V. Nexus Investigations and Audits**

This session will focus on conducting a nexus audit or nexus investigation.

What the auditor should do in advance to prepare for the audit; what questions the auditor should ask at the initial interview; how to ask for the information; what documents every auditor should look at; what the auditor should look for once he or she has the documents; how auditors prepare competent audit findings. There will also be a discussion of how to enforce out-of-state audit requests through the subpoena process.

### **VI. Case Study**

Program participants will be divided into small groups and asked to conduct a nexus audit of a hypothetical company. Participants will be given a written description of the company's structure and activities, and then allowed to request appropriate information from the company's tax manager. The groups will then analyze the nexus consequences of the information received. The class will review and discuss each group's results.





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"The best CPE I've ever attended. Information was followed up by actual course examples. This helps us apply the knowledge soon after we learn it."

-A student at the March 2006  
Nexus School in North Carolina

"Great class- I learned a lot and can't wait to share my knowledge with my co-workers."

- A student at the October 2006  
Nexus School in Arkansas

"Instructors' knowledge and understanding of topic and follow-up questions excellent. You can't replace experience."

- A student at the December 2006  
Nexus School in Michigan

